

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON, D. C. 20224

Industry Circular No. 65-36

December 15, 1965

NOTICE OF PROPOSED RULE MAKING 26 CFR PART 240, WINE

Proprietors of bonded wine cellars
and others concerned:

Purpose. This circular is issued to inform you of the provisions of a notice of proposed rule making which was published in the Federal Register for December 7, 1965 (30 F.R. 15099), and which would amend 26 CFR Part 240, Wine, to implement the provisions of sections 806(b) and (c) of the Excise Tax Reduction Act of 1965 (Public Law 89-44). The regulations will become effective January 1, 1966, in, it is anticipated, substantially the form in which published as a notice of proposed rule making. A reprint of the notice of proposed rule making is attached for your information and use in planning operations and records commencing January 1, 1966.

Explanation of changes.

Production. Present regulations require that the liquid in fermenters be reported as wine produced within 30 days after deposit therein, or be transferred to intermediate storage. In recognition of the fact that complete fermentation may require more than 30 days, the amended regulations will permit juice or wine to be retained in fermenters until fermentation is complete; however, the regulations will require that you report on Form 702 the quantity of juice in fermenters at the close of each month in a manner similar to that now used for reporting the quantity of juice in intermediate storage.

Amelioration. The amended regulations will provide that high acid juice may be ameliorated before, during, and after fermentation, and discontinue the wine fermentation record, Form 2054; however, records of amelioration will be necessary and are prescribed. The records of amelioration will be required to be kept separately for each kind of fruit or berry, including grapes; however, such records may, if the winemaker desires, be further separated for each lot of wine ameliorated. At the close of each month, transactions with respect to ameliorating materials will be summarized and reported on Form 702 (Rev. 1-66).

The records of amelioration will ordinarily be maintained on the basis of annual accounting periods commencing on each July 1 and running through June 30 of the following year, but any such record will remain open if the amelioration of the juice or wine included therein is incomplete on June 30. When amelioration of the wine included in any one record is complete, that record will be closed and any unused authorized ameliorating material will not thereafter be used. Wines included in the records of amelioration for different accounting periods cannot be mixed with each other until the amelioration of both wines is complete unless, pursuant to a written application filed by the winemaker, the assistant regional commissioner authorizes the winemaker to mix such wines. Where wine has been reported as produced on Form 2056, Record of Still Wine, and the amelioration of such wine (after fermentation) is to be completed in storage, the quantity of ameliorating material used in such wine in storage will be recorded in the appropriate record of amelioration, and the quantity of such wine before and after amelioration will be recorded on Form 2056.

Sweetening. The amended regulations will continue to provide that natural wines produced with or without the use of sugar may be sweetened with the use of concentrated or unconcentrated juice, provided the total solids content does not exceed 21 percent by weight, and may be sweetened with pure dry sugar (or liquid sugar if the increase in volume does not exceed that which would result from the use of pure dry sugar only) provided the total solids of the finished wine after sweetening does not exceed 12 percent by weight and its alcohol content is less than 14 percent by volume. Any natural wine produced with the use of sugar (ameliorated) may be sweetened with the use of pure dry sugar or liquid sugar in an amount which will not increase the volume of the wine by more than 0.0675 gallon per gallon of juice and total allowable ameliorating material combined. The addition of sweetening material will also be subject to the present limitation on the total solids content and alcoholic content of the finished wine. The quantities of wine before and after the addition of sweetening material will be recorded on Form 2056. In addition, if pure dry sugar or liquid sugar is used for sweetening, this will be shown on Form 2056.

Addition of wine spirits. Wine spirits may be added to wine of a winemaker's own production only after its removal from the fermenters. In the case of ameliorated wine, wine spirits may be added thereto only if such wine contains less than 14 percent of alcohol by volume at the time of such addition, unless wine spirits were previously added.

Use of pure sugar and liquid sugar. The term "pure sugar" has been redefined to include, in addition to cane and beet sugar, pure sugars produced from fruit or grain or other sources of starch and which have a dextrose equivalent of not less than 95 percent on a dry basis. The term "liquid sugar" has also been redefined. Further, a new term "sugar" has been defined in the amended regulations. The amended regulations will provide that the pounds per gallon for commercial dextrose, as shown in Table IV, may be, but are not required to be, used in determining the quantity of such other pure dry sugars to be used to correct the juice of fruit or berries to 25 degrees Brix. The amended regulations will also provide a formula for determining the quantity of liquid sugar of any degree of Brix required to raise the Brix of juice to the desired degree. The amended regulations will provide a new table giving the specific gravity and pounds per gallon for each degree of Brix (0 - 25 and 60 - 90) and the pounds of sugar per gallon and quantity of water per gallon, calculated on the basis of sucrose solutions. This new table will be used with the formula in determining the quantity of liquid sugar (sucrose solutions) required to correct natural deficiencies in juice of fruit or berries, and may be used with the formula in determining the quantity of other liquid sugars required to correct natural deficiencies in juice of fruit or berries.

Conforming changes. Other changes made in the amended regulations are conforming or editorial in nature and are in most instances self-explanatory. Examples of such changes are (1) the amendment of section 240.430 which changed the "sugar solids content in excess of 15 percent by weight" for specially sweetened wines to "total solids content in excess of 17 percent by weight," and (2) the deletion from section 240.975 of the procedure for determining the sugar solids content of wine, both of which changes were made to reflect the amendment of section 5385, I.R.C.

Effect on forms. Effective January 1, 1966, the use of Forms 2054 and 2055 will be discontinued; Form 2056 will be revised to provide columns for reporting the amelioration of wine in storage; Form 702 will be revised to delete the reserve inventory and intermediate storage accountings and to provide for a summary of ameliorating material transactions and the report of wine in fermenters at the end of each month; and Form 703 will be revised to delete the column for the transfer of sugar credits where wine in reserve inventory was transferred in bond.

Inquiries. Inquiries regarding this circular should refer to its number and should be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.

A handwritten signature in dark ink, appearing to read "Harold A. Serr". The signature is fluid and cursive, with the first name "Harold" being the most prominent part.

Harold A. Serr
Director, Alcohol and Tobacco Tax Division

Attachment

Proposed Rule Making

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[26 CFR Part 240]

WINE

Notice of Proposed Rule Making

Notice is hereby given, pursuant to the Administrative Procedure Act, approved June 11, 1946, that the regulations set forth in tentative form in the appendix below are proposed to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury or his delegate. Prior to final adoption of such regulations, consideration will be given to any data, views, or arguments pertaining thereto which are submitted in writing, in duplicate, to the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington, D.C., 20224, within the period of 15 days from the date of publication of this notice in the FEDERAL REGISTER. Any person submitting written comments or suggestions who desires an opportunity to comment orally at a public hearing on these proposed regulations should submit his request, in writing, to the Director, within the 15-day period. In such a case, a public hearing will be held and notice of the time, place, and date will be published in a subsequent issue of the FEDERAL REGISTER. The proposed regulations are to be issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805).

[SEAL] SHELDON S. COHEN,
Commissioner of Internal Revenue.

In order to implement the provisions of section 806 (b) and (c) of Public Law 89-44 relating to (a) the amelioration and sweetening of wine, (b) the use of sugar in the production of wine, and (c) the total solids content of wine; and to make conforming amendments, the regulations in 26 CFR Part 240 are amended as follows:

PARAGRAPH 1. Section 240.13 is amended to redefine the term "Amelioration." As amended, § 240.13 reads as follows:

§ 240.13 Amelioration.

"Amelioration" shall mean the addition to juice or wine, before, during, and after fermentation, of either water or pure sugar, or a combination of water and pure sugar, or liquid sugar or invert sugar syrup, to adjust the acid content or to develop alcohol by fermentation.

§ 240.30, 240.36 [Revoked]

PAR. 2. Sections 240.30 and 240.36 are revoked.

PAR. 3. Section 240.40 is amended to redefine the term "Pure sugar." As amended, § 240.40 reads as follows:

§ 240.40 Pure sugar.

"Pure sugar" shall mean pure refined sugar, suitable for human consumption, having a dextrose equivalent of not less than 95 percent on a dry basis, and produced from cane, beets, or fruit, or from grain or other sources of starch: *Provided*, That invert sugar syrup produced from such pure sugar by recognized methods of inversion may be used to prepare any sugar syrup, or solution of water and pure sugar.

PAR. 4. Section 240.40a is amended to redefine the term "Liquid sugar." As amended, § 240.40a reads as follows:

§ 240.40a Liquid sugar.

"Liquid sugar" shall mean a substantially colorless pure sugar and water solution containing not less than 60 percent pure sugar by weight (60 degrees Brix).

PAR. 5. A new section, § 240.40c, is added immediately following § 240.40b to define the term "Sugar." As added, § 240.40c reads as follows:

§ 240.40c Sugar.

"Sugar" shall mean pure sugar, liquid sugar, and invert sugar syrup.

§ 240.42 [Revoked]

PAR. 6. Section 240.42 is revoked.

PAR. 7. Section 240.46 is amended to redefine the term "Specially sweetened natural wine." As amended, § 240.46 reads as follows:

§ 240.46 Specially sweetened natural wine.

"Specially sweetened natural wine" shall mean a product having a total solids content in excess of 17 percent by weight and an alcohol content of less than 14 percent by volume, made in accordance with the provisions of section 5385, I.R.C., and Subpart R of this part.

PAR. 8. Section 240.163 is amended to delete references to intermediate storage, reserve storage, and permanent storage. As amended, § 240.163 reads as follows:

§ 240.163 Markings on fermenting and storage tanks.

Each tank used for the fermentation or storage of wine or for addition of wine spirits to wine will be marked with a permanent serial number and the capacity in wine gallons. Tanks of uniform dimensions from top to bottom shall be marked in addition with the capacity per inch of depth. Each tank will be marked to show its current use, either by permanent markings or by removable signs of durable materials. The use will be shown as "Fermenting Tank" (or "Fermenter"), "Storage Tank," or "Wine Spirits Addition Tank," and may be abbreviated to the initial letters if desired.

Notification to the assistant regional commissioner is not required when changing the use and designation of such tanks, but only tanks approved for use in the addition of wine spirits to wine as provided in § 240.198 may be used for that purpose. A single series of numbers will be used for all fermenting, storage, and wine spirits addition tanks, except that separate series, preceded by an identifying letter, may be used for tanks in different buildings or rooms, if desired.

(72 Stat. 1379; 26 U.S.C. 5357)

PAR. 9. Section 240.221 is amended to delete the parenthetical reference to wine in intermediate storage. As amended, § 240.221 reads as follows:

§ 240.221 Bond, Form 700.

Each proprietor of a bonded wine cellar shall give bond, Form 700, for the payment of taxes imposed by the United States, including rectification and occupational taxes and penalties and interest, for which the proprietor shall become liable to the United States, respecting wine and wine spirits and the operation of the bonded wine cellar, whether the transaction or operation upon which the liability of the proprietor is based occurred on the bonded wine cellar premises (including transfers between non-contiguous portions thereof), or in transit, and for the faithful compliance, without fraud or evasion, with all requirements of the laws of the United States and regulations made in conformity therewith respecting wine and wine spirits and the operation of the bonded wine cellar. The penal sum of the bond shall be not less than the tax on all wine and wine spirits possessed at the bonded wine cellar, in transit to the bonded wine cellar, wine spirits authorized to be withdrawn under approved applications, or wine or wine spirits unaccounted for, at any one time, and the tax on all wine removed for export or for use as supplies on vessels or aircraft, but not exported or otherwise accounted for. The penal sum of the bond shall be not less than \$1,000 or more than \$50,000, except that where the amount of tax exceeds \$250,000, the penal sum of the bond shall be \$100,000: *Provided*, That the obligation on Form 700 shall not apply with respect to taxes in excess of \$100 which have been determined for deferred payment upon removal of the wine from the bonded wine cellar, or transfer to a tax-paid wine room on the bonded wine cellar premises.

(72 Stat. 1379; 26 U.S.C. 5354)

PAR. 10. Section 240.354 is amended to authorize the use in standard wine of pure sugar as redefined in § 240.40. As amended, § 240.354 reads as follows:

§ 240.354 Sugar.

If dry sugar is to be used in the production of standard wine, only pure sugar, as defined in § 240.40, may be used.

If a solution of water and pure sugar is to be used, liquid sugar, or invert sugar syrup produced from pure sugar by recognized methods of inversion, may be used in the preparation of such solution. The use of mixtures of either different kinds of dry sugar or of different kinds of liquid sugar is permissible.

(72 Stat. 1387, as amended; 26 U.S.C. 5392)

PAR. 11. Section 240.360 is amended to delete the reference to total sugar solids. As amended, § 240.360 reads as follows:

§ 240.360 General.

Natural grape wine is the product of the juice of sound, ripe grapes, made with cellar treatment authorized by this part and having a total solids content subject to limitations stated in this subpart, but the total solids content of the wine shall in no case exceed 21 percent by weight.

(72 Stat. 1383, as amended, 1384, as amended; 26 U.S.C. 5381, 5382, 5383)

PAR. 12. Section 240.362 is amended to delete the requirement that the liquid in fermenters must be reported as wine produced within 30 days after deposit therein or be transferred to intermediate storage, and to require that the quantity of liquid in fermenters at the close of each month shall be reported on Form 702. As amended, § 240.362 reads as follows:

§ 240.362 Crushing and fermentation.

Water added at the time of crushing, including that necessary to flush equipment, may not reduce the density of the juice below 22 degrees Brix, in the production of natural wine: *Provided*, That if the total solids content of the juice is less than 23 degrees Brix, water used to flush equipment shall reduce the total solids content of the juice less than 1 degree Brix. (This limitation does not apply where water is used in the production of wine from high acid grapes; however, the limitations stated in § 240.366 are applicable.) Upon removal of wine from fermenters, the quantity of liquid will be determined accurately and recorded as wine produced. The quantity of liquid in fermenters at the close of each month shall be reported on Form 702 in the part of the form provided specifically therefor.

(72 Stat. 1381, 1383, as amended; 26 U.S.C. 5367, 5382)

PAR. 13. Section 240.363 is amended to prescribe procedures for the sweetening, with juice or sugar, of natural grape wine made without the use of sugar. As amended, § 240.363 reads as follows:

§ 240.363 Sweetening of natural grape wine produced without the use of sugar.

Natural grape wine produced without the use of sugar may be sweetened with concentrated or unconcentrated grape juice, before or after the addition of wine spirits; the only limitation being that the total solids content of the finished wine shall not exceed 21 percent by weight. Any natural grape wine produced without the use of sugar and containing less

than 12 percent by weight of total solids, may be sweetened, after removal from fermenters, with pure dry sugar or liquid sugar if the total solids content of the finished wine does not exceed 12 percent by weight and the alcoholic content of the finished wine after sweetening is less than 14 percent by volume: *Provided*, That the use under this section of liquid sugar shall be so limited that the resulting volume will not exceed the volume which could result from the maximum authorized use of pure dry sugar only. The gallons of wine before and after sweetening shall be determined and entered on the record provided for in § 240.908. Where wine is sweetened with pure dry sugar or liquid sugar, show in such record which of those was used.

(72 Stat. 1383, as amended, 1384, as amended, 1387, as amended; 26 U.S.C. 5382, 5383, 5392)

PAR. 14. Section 240.366 is amended to authorize the addition of ameliorating material after fermentation, and to delete the requirement that ameliorating material may be added only in fermenters or intermediate storage. As amended, § 240.366 reads as follows:

§ 240.366 Limitations on amelioration.

In producing wine from grapes or grape juice having a high acid content, there may be added to the juice or to the wine, or both, ameliorating material consisting of either water, pure dry sugar, a combination of water and pure dry sugar, liquid sugar, or invert sugar syrup. The total volume of ameliorating material shall not reduce the natural fixed acid content of the juice and ameliorating material combined to less than five parts per thousand. The acid content shall be determined before fermentation, and calculated as tartaric acid. The volume of ameliorating material shall not exceed 35 percent of the total volume of the ameliorated juice or wine (calculated exclusive of pulp). The ameliorating material may be added before, during, or after fermentation. Where ameliorating material is added after fermentation, the gallons of wine before and after such addition shall be determined and entered on the record provided for in § 240.908. See Subpart XX of this part for tables showing the maximum quantity in gallons of ameliorating material that may be added to each 1,000 gallons of juice (exclusive of pulp) based on the acid expressed in parts per thousand of tartaric acid.

(72 Stat. 1384, as amended; 26 U.S.C. 5383)

PAR. 15. Section 240.367 is amended to delete the requirement that the liquid in fermenters must be reported as wine produced within 30 days after deposit therein or be transferred to intermediate storage, and to require that the quantity of liquid in fermenters at the close of each month shall be reported on Form 702. As amended, § 240.367 reads as follows:

§ 240.367 Record of production.

Upon completion of fermentation and removal from fermenters, the quantity of liquid will be determined accurately and recorded as wine produced. The

quantity of liquid in fermenters at the close of each month shall be reported on Form 702 in the part of the form provided specifically therefor.

(72 Stat. 1381, 1384, as amended; 26 U.S.C. 5367, 5383)

PAR. 16. Section 240.368 is amended to prescribe procedures for the sweetening, with juice or sugar, of natural grape wine made with the use of sugar. As amended, § 240.368 reads as follows:

§ 240.368 Sweetening of natural grape wine produced with the use of sugar.

(a) *Use of concentrated or unconcentrated juice.* Any natural grape wine produced with the use of sugar may be sweetened, with concentrated or unconcentrated grape juice, before or after the addition of wine spirits; the only limitation being that the total solids content of the finished wine shall not exceed 21 percent by weight.

(b) *Use of pure dry sugar or liquid sugar.*

(1) Any natural grape wine produced with the use of sugar and containing less than 12 percent by weight of total solids, may be sweetened, after removal from the fermenters, with pure dry sugar or liquid sugar, if the total solids content of the finished wine does not exceed 12 percent by weight and the alcoholic content of the finished wine after sweetening is less than 14 percent by volume: *Provided*, That the use under this subparagraph of liquid sugar shall be limited so that the resulting volume will not exceed the volume which could result from the maximum authorized use of dry sugar only.

(2) Any natural grape wine of a winemaker's own production, produced under the provisions of § 240.365, may be sweetened, after removal from fermenters, with pure dry sugar or liquid sugar: *Provided*, That the total solids content of the finished wine shall not exceed 17 percent by weight if the alcoholic content is 14 percent or more by volume, and shall not exceed 21 percent by weight if the alcoholic content is less than 14 percent by volume: *Provided further*, That the volume of finished wine shall not exceed the volume of the juice from which produced and total allowable ameliorating material by more than 0.0675 gallon per gallon of juice and ameliorating material combined.

(3) Where wine is sweetened under the provisions of either subparagraph (1) or (2) of this paragraph, the gallons of wine before and after sweetening shall be determined and entered on the record provided for in § 240.908. Where wine is sweetened with pure dry sugar or liquid sugar, show in such record which of those was used.

(72 Stat. 1384, as amended; 26 U.S.C. 5383)

§§ 240.369–240.373 [Revoked]

PAR. 17. Sections 240.369, 240.370, 240.371, 240.372, and 240.373 are revoked.

PAR. 18. Section 240.374 is amended to delete the reference to reserve inventory and to prescribe requirements respecting the addition of wine spirits to wine, general, and to ameliorated wine. As amended, § 240.374 reads as follows:

§ 240.374. General.

Grape wine spirits may be added only to natural grape wine of the proprietor's production. The wine spirits may be added only in wine spirits addition tanks approved as provided in § 240.198. If the wine has been ameliorated, wine spirits may be added only if the juice or wine contains less than 14 percent of alcohol by volume at the time of such addition, unless wine spirits were previously added. The wine spirits will be procured as provided in Subpart PP of this part and will be added to the wine under the supervision of an internal revenue officer. The proprietor will advise the assistant regional commissioner, or other designated officer, in sufficient time that an internal revenue officer may be assigned. The assistant regional commissioner may permit the addition of wine spirits without supervision.

(72 Stat. 1381, 1382, 1383, as amended, 1384, as amended; 26 U.S.C. 5366, 5373, 5382, 5383)

PAR. 19. Section 240.402 is amended to delete the requirement that the liquid in fermenters must be reported as wine produced within 30 days after deposit therein or be transferred to intermediate storage, and to require that the quantity of liquid in fermenters at the close of each month shall be reported on Form 702. As amended, § 240.402 reads as follows:

§ 240.402. Crushing and fermentation.

Water added at the time of crushing, including that necessary to flush equipment, may not reduce the density of the juice below 22 degrees Brix, in the production of natural fruit wine. *Provided*, that if the total solids content of the juice is less than 23 degrees Brix, water used to flush equipment shall reduce the total solids content of the juice less than 1 degree Brix. (This limitation does not apply where water is used in the production of wine from high acid fruit; however, the limitations stated in § 240.407 are applicable.) Upon removal of wine from fermenters, the quantity of liquid will be determined accurately and recorded as wine produced. The quantity of liquid in fermenters at the close of each month shall be reported on Form 702 in the part of the form provided specifically therefor to establish cost.

(72 Stat. 1381, 1383, as amended, 26 U.S.C. 5367, 5382)

PAR. 20. Section 240.406 is amended to provide for the production of fruit or berry wine with pure sugar or liquid sugar and to delete the reference to permanent storage. As amended, § 240.406 reads as follows:

§ 240.406. Use of pure dry sugar or liquid sugar.

A winemaker producing wine from fruit, dry berries, other than grapes, or from mixtures (which may include grapes) of two or more fruits or berries, with the addition of pure dry sugar or liquid sugar, but without water added to the juice or wine, may add such pure dry sugar or liquid sugar to the juice in the fermenters or to the wine after fer-

mentation. *Provided*, That such wine shall have less than 14 percent alcohol by volume after complete fermentation, or after complete fermentation and sweetening, and a total solids content not in excess of 21 percent by weight. The use of liquid sugar under this section shall be limited so that the resultant volume will not exceed the volume which could result from the maximum authorized use of pure dry sugar only. Where pure dry sugar or liquid sugar is added to the juice in the fermenters, the winemaker shall maintain a separate record thereof showing the kind and quantity of juice (exclusive of pulp) deposited in fermenters and the quantity of pure dry sugar or liquid sugar added thereto. Where wine produced as provided in this section is sweetened after complete fermentation with pure dry sugar or liquid sugar, the gallons of wine before and after sweetening shall be determined, and entered on the record provided for in § 240.908. After completion of fermentation of the wine, wine spirits may be added thereto in accordance with the provisions of §§ 240.374 through 240.380.

(72 Stat. 1383, as amended, 1385, as amended; 26 U.S.C. 5382, 5384)

PAR. 21. Section 240.407 is amended to provide for the amelioration with liquid sugar of wine made from fruit to authorize amelioration of such wines after fermentation, and to delete the reference to intermediate storage. As amended, § 240.407 reads as follows:

§ 240.407. Limitations on amelioration.

In producing wine from fruit other than grapes, or from mixtures (which may include grapes) of two, or more fruits, if not made under § 240.406, the juice may be adjusted to correct for natural deficiencies by adding a sufficient quantity of pure dry sugar or liquid sugar to adjust the juice to a total solids content prior to fermentation of not more than 25 degrees Brix. *Provided*, That the pure dry sugar or liquid sugar so used shall not reduce the natural fixed acid in the corrected juice or wine to less than five parts per thousand. *Provided further*, That if liquid sugar is so used, the volume of water contained therein shall be deducted from the volume of ameliorating material authorized to be used in the corrected juice or wine. Thereafter, there may be added to the juice or to the wine, or to both, ameliorating material consisting of either pure dry sugar, a combination of water and pure dry sugar, liquid sugar, or invert sugar, in such total volume as may be necessary to reduce the natural fixed acid content of the mixture of juice and such ameliorating material to a minimum of five parts per thousand, where it is desired to so reduce the natural fixed acid content and to so adjust the total solids content of the wine. The operations may be combined and the pure dry sugar or liquid sugar for the adjustment of the total solids content may be mixed with the ameliorating material. The acid content shall be determined before fermentation and calculated as malic acid for apple wine and as citric acid for other fruit wine. The volume of the amelior-

rating material shall not exceed 15 percent of the total volume of the ameliorated juice or wine, calculated exclusive of pulp, except that in the case of wine made exclusively from loganberries, currants, or gooseberries, the volume limitation shall be 60 percent. In determining the amount of ameliorating material permitted, the volume of the juice obtained after correction with pure dry sugar or liquid sugar within the 25 degree limitation shall be used as a basis for the calculation. The ameliorating material may be added before, during, or after fermentation. Where ameliorating material is added after fermentation, the gallons of wine before and after such addition shall be determined and entered on the record provided for in § 240.908. See Subpart XX of this part for tables showing the maximum quantity in gallons of ameliorating material that may be added to each 1,000 gallons of juice (exclusive of pulp) based on the acid expressed in parts per thousand.

(72 Stat. 1385, as amended; 26 U.S.C. 5384)

PAR. 22. Section 240.408 is amended to delete the requirement that the liquid in fermenters must be reported as wine produced within 30 days after deposit therein or be transferred to intermediate storage, and to require that the liquid in fermenters at the close of each month shall be reported on Form 702. As amended, § 240.408 reads as follows:

§ 240.408. Record of production.

Upon removal from fermenters, in the production of wine, under the provisions of § 240.406 or § 240.407, the quantity of liquid will be determined accurately and recorded as wine produced. The quantity of liquid in fermenters at the close of each month shall be reported on Form 702 in the part of the form provided specifically therefor to establish cost.

(72 Stat. 1381, 1385, as amended, 26 U.S.C. 5367, 5384)

PAR. 23. Section 240.409 is amended to prescribe procedures respecting the sweetening of natural fruit wine produced with the use of sugar. As amended, § 240.409 reads as follows:

§ 240.409. Sweetening of natural fruit wine produced with the use of sugar.

The provisions of § 240.368 respecting the sweetening of natural grape wine produced with the use of sugar shall be applicable to the sweetening of natural fruit wine produced with the use of sugar. *Provided*, That where such wine is sweetened with concentrated commercial concentrated juice, such juice shall be derived from the same kind of fruit. *Provided further*, That where natural fruit wine is not a grape wine, it is sweetened under the provisions of § 240.368 (b)(2), the total solids content of the finished wine may exceed 21 percent, but shall not exceed 21 percent by weight, when not more wine spirits have been added. The records required by § 240.368 (b)(3) shall be applicable to the sweetening of natural fruit wine. (72 Stat. 1385, as amended, 1385, as amended; 26 U.S.C. 5383, 5384)

§ 240.410 [Revoked]

PAR. 24. Section 240.410 is revoked.

PAR. 25. Section 240.411 is amended to delete the reference to reserve inventory. As amended, § 240.411 reads as follows:

§ 240.411 Addition of wine spirits.

To fruit wine produced from one kind of fruit under the provisions of § 240.401 or 240.407, wine spirits from the same kind of fruit may be added according to the procedures prescribed in §§ 240.374 through 240.380. Wine spirits may not be added to fruit wine made from mixtures of two or more fruits. Where the proprietor desires to add wine spirits made from the same kind of fruit to juice or concentrated juice, the provisions of §§ 240.382 and 240.383 (relative to the addition of wine spirits to grape juice or concentrated grape juice) shall be followed.

(72 Stat. 1382, 1383, as amended; 26 U.S.C. 5373, 5382)

PAR. 26. Section 240.430 is amended to change the reference to sugar solids of 15 percent by weight to total solids of 17 percent by weight and to delete the reference to reserve inventory. As amended, § 240.430 reads as follows:

§ 240.430 Production.

Specially sweetened natural wine is produced by adding to natural wine (including unfinished natural wine containing 14 percent or more of alcohol) of the proprietor's own production sufficient dry sugar, or juice, or concentrated juice of the same kind of fruit, separately or in combination, so that the finished product has a total solids content in excess of 17 percent by weight, a total solids content not over 35 percent by weight, and an alcohol content less than 14 percent by volume. The containers of unfinished natural wine having an alcohol content of 14 percent or more, held for the production of specially sweetened natural wine, will be marked to show the intended use. Natural wine containing added wine spirits may be used in the production of specially sweetened natural wine; however, wine spirits may not be added to specially sweetened natural wine.

(72 Stat. 1386, as amended; 26 U.S.C. 5385)

PAR. 27. Section 240.443 is amended to delete the reference to reserve inventory and the requirement that the liquid in fermenters must be reported as wine produced within 30 days after deposit therein or be transferred to intermediate storage, and to require that the liquid in fermenters at the close of each month shall be reported on Form 702. As amended, § 240.443 reads as follows:

§ 240.443 Production by fermentation.

If, in the production of special natural wine, the flavoring materials are added before or during fermentation, adequate precautions must be taken to prevent the accidental flavoring of other wine by contamination. Special natural wine made under this section may be ameliorated with pure dry sugar, water, or a combination of pure dry sugar and water, liquid sugar, or invert sugar syrup in

the same manner and to the same extent as natural wine made from the same fruit, as provided in Subpart P of this part in the case of grape wine, or Subpart Q of this part in the case of fruit wine. Wine spirits may not be added to special natural wine, except the wine spirits contained in authorized essences made on bonded wine cellar premises as provided in § 240.446, or approved essences made elsewhere. Retsina wine is an example of special natural wine made under this section. Upon removal of the wine from fermenters the quantity of liquid will be determined accurately and recorded as wine produced. The quantity of liquid in fermenters at the close of each month shall be reported on Form 702 in the part of the form provided specifically therefor.

(72 Stat. 1381, 1386; 26 U.S.C. 5367, 5386)

PAR. 28. Sections 240.463 and 240.464 are amended to qualify the maximum solids content as total solids content. As amended, §§ 240.463 and 240.464 read as follows:

§ 240.463 Honey wine.

In the production of wine from honey, a quantity of water may be added to facilitate fermentation, but the density of the mixture of honey and water shall not be reduced below 22 degrees (Brix). Hops may be added in quantities not to exceed one pound for each 1,000 pounds of honey, and pure dry sugar or honey may be added for sweetening. The product shall have an alcohol content less than 14 percent after complete fermentation or complete fermentation and sweetening, and a total solids content not more than 35 degrees (Brix). If the finished wine has a total solids content of more than 21 degrees (Brix), it must be removed under a designation showing that it is unusually sweet.

(72 Stat. 1386, 1387; 26 U.S.C. 5387, 5388)

§ 240.464 Other agricultural products.

In the production of wine from agricultural products other than those specified in §§ 240.461, 240.462, and 240.463, water and pure dry sugar or liquid sugar or invert sugar syrup may be added to the extent necessary to facilitate fermentation: *Provided*, That the total weight of pure dry sugar used for fermentation shall be less than the weight of the primary winemaking material and the density of the mixture prior to fermentation shall not be less than 22 degrees (Brix), if water, or liquid sugar, or invert sugar syrup is used. Additional sugar may be used for sweetening, provided the alcohol content of the finished wine after complete fermentation, or after complete fermentation and sweetening, shall be less than 14 percent by volume and the total solids content shall not be more than 35 degrees (Brix). If the finished wine has a total solids content of more than 21 degrees (Brix), it must be removed under a designation showing that it is unusually sweet.

(72 Stat. 1386, 1387; 26 U.S.C. 5387, 5388)

PAR. 29. Section 240.483 is amended to delete paragraph (b) and redesignate

paragraph "(c)" as paragraph "(b)." As amended, § 240.483 reads as follows:

§ 240.483 High fermentation wine.

High fermentation wine is a wine made within the limitations of § 240.365 grape wine or § 240.405 for fruit wine, except (a) that the alcohol content after complete fermentation or complete fermentation and sweetening is 14 percent or more; and (b) that wine spirits may not be added. While high fermentation wine is not a natural wine or a standard wine, it may be produced, stored, and handled on standard wine premises, subject to appropriate marking or labeling.

(72 Stat. 1381, 1387; 26 U.S.C. 5364, 5388)

PAR. 30. Sections 240.488 and 240.634 are amended to change the reference to "kinds" of sugar to "sugar other than pure sugar". As amended, §§ 240.488 and 240.634 read as follows:

§ 240.488 Other wines.

Except as provided in §§ 240.483, 240.486 and 240.487, wine produced with sugar, water, liquid sugar, or invert sugar syrup beyond the limitations prescribed for standard wine, or wine made with sugar other than pure sugar, may be produced and stored only on premises qualified for that purpose and on which no standard wine is produced or stored. Upon removal, such wine shall be marked or labeled with a designation which will adequately disclose the nature and composition of the wine.

(72 Stat. 1381, 1387; 26 U.S.C. 5364, 5388)

§ 240.634 Marking of containers.

Each container removed, in addition to bearing the marks required by § 240.562, must be plainly marked "For Distilling Material" and show the kind or nature of the material, as standard grape (apple, peach, etc.) wine, or wine lees, raisin wine, etc., in order that the spirits distilled therefrom may be properly marked as to class and type. Where wine made with sugar other than pure sugar, or fermented with sugar in excess of the quantities authorized for a standard wine, is removed for distilling material, the composition of the material must be marked on the containers, and such wine may be transferred only to the production facilities of distilled spirits plants for the production of spirits other than wine spirits or brandy.

(72 Stat. 1364, 1381; 26 U.S.C. 5215, 5368)

§§ 240.906 and 240.907 [Revoked]

PAR. 31. Sections 240.906 and 240.907 are revoked.

PAR. 32. Section 240.908 is amended to delete the reference to wine in reserve. As amended, § 240.908 reads as follows:

§ 240.908 Form 2056, record of still wine.

Each proprietor of a bonded wine cellar who produces or receives still wine, other than distilling material or vinegar stock made with excess water, shall maintain a record of still wine on Form 2056, showing the quantities produced, received, removed, or used in effervescent

wine production. A separate Form 2056 shall be maintained for each tax class still wine. In each tax class, transactions for all still wines (including sparkling natural wine but not including distilling material or vinegar stock) shall be entered on a single record. At the end of each month the totals shown by Form 2056 shall be reported on Form 702.

(72 Stat. 1381; 26 U.S.C. 5367)

PAR. 33. Section 240.914 is amended to delete the requirement for showing tank or lot numbers of wine in which sugar is used and to delete the reference to reserve inventory. As amended, § 240.914 reads as follows:

§ 240.914 Sugar record.

Each proprietor receiving, storing, and using sugar shall keep a separate record of such receipt and use. The record shall show the date of receipt, from whom received, and the kind and quantity. Invoices covering purchases shall be retained in support of this record. When sugar is used for ameliorating or sweetening purposes, the record shall show the date, kind, and quantity used. The sugar record shall also show sugar used in the production of allied products and sugar removed from the premises. At the close of each month the account shall be balanced and the quantity of each kind of sugar remaining on hand shall be shown in such record.

(72 Stat. 1381; 26 U.S.C. 5367)

PAR. 34. A new section, § 240.914a, is added immediately following § 240.914 prescribe requirements for a record of amelioration. As added, § 240.914a reads as follows:

§ 240.914a Record of amelioration.

(a) *General.* Each proprietor who ameliorates juice or wine shall maintain daily records of such amelioration. Separate records shall be kept for each kind of fruit or berries, including grapes. No form of record is prescribed, but the records maintained shall contain all data necessary to enable internal revenue officers to readily ascertain whether the limitations on amelioration have been complied with. All quantities shall be recorded in gallons, and, where dry sugar is used, the quantity shall be determined either by measuring the increase in volume or by considering that each 13.5 pounds of dry sugar results in a volumetric increase of one gallon. Each separate record shall include the following:

(1) The quantity of juice (exclusive of pulp) deposited in fermenters.

(2) For juice from fruit and berries, other than grapes, the maximum quantity of pure dry sugar or liquid sugar authorized for adjustment, as provided in § 240.407.

(3) The maximum quantity of ameliorating material to which the juice is entitled, as provided in § 240.366 or 240.407, as applicable.

(4) The quantity of ameliorating materials used, including pure dry sugar or liquid sugar used for adjustment of the total solids.

(5) The quantity of ameliorating material authorized but not yet used.

Supporting records shall be maintained showing the basis for entries and calculations, including determination of the natural fixed acid content and total solids content of juice, as applicable. At the close of each month, transactions respecting ameliorating materials including sugar used for adjustment of total solids) shall be summarized, by kind of fruit or berries, including grapes, on Form 702, in the part of the form specifically provided therefor. The records of amelioration shall be maintained on the basis of annual accounting periods, with each period commencing on July 1 of a year and ending on June 30 of the following year: *Provided*, That the record for an accounting period shall be continued after June 30, where the juice or wine included therein is to be held after that date for completion of fermentation or amelioration. When the amelioration of wine included in the record for one accounting period is complete, the record shall be closed and any unused ameliorating material shall not be used. Wines included in the records for different accounting periods shall not be mixed with each other until the amelioration of both wines is complete.

(b) *Variation.* Notwithstanding the provisions of paragraph (a) of this section prohibiting the mixing of wines included in the records for different accounting periods, the assistant regional commissioner may, pursuant to written application, authorize a winemaker to mix such wines, before amelioration of such wines has been completed, when the assistant regional commissioner finds that the winemaker maintains such other records, in addition to those required by paragraph (a) of this section, as are necessary (1) to establish the quantity of unused authorized ameliorating material to which the resultant mixture would be entitled, and (2) to enable internal revenue officers to readily ascertain whether the limitations on amelioration have been complied with. Each application for variation under this paragraph shall be filed in duplicate, shall state the need for the variation, and shall describe the additional records to be maintained.

(72 Stat. 1381, 1385, as amended; 26 U.S.C. 5367, 5384)

PAR. 35. Section 240.915 is amended to delete the reference to Form 2054. As amended, § 240.915 reads as follows:

§ 240.915 Separate record of materials received and used.

Each proprietor producing wine shall maintain a separate record showing the receipt and use or other disposition of basic winemaking materials, such as fruit, juice or concentrated juice. Where juice, concentrated juice, or must is received from a concentrate plant, the record shall also show whether the identical volatile fruit flavor has been restored to such juice, concentrated juice, or must, and further, as to any such concentrated juice, its original density.

If volatile fruit-flavor concentrate is received for use in the cellar treatment of natural wine, as authorized in Subpart 0 of this part, the record shall also show the receipt of such concentrate, the fold of such concentrate, the percent of alcohol by volume contained therein, and the use or other disposition of such concentrate. The record must show the date of receipt, the quantity received, the name and address of the person from whom received, and the date of use or other disposition of the materials. Where materials are received from others, the invoices or commercial papers showing the receipt will be retained in chronological order in support of the record. If materials are received off bonded premises and subsequently transferred to the bonded premises, the record will be maintained only with respect to material received on the bonded premises and will show the date of transfer and quantity transferred, but the invoices or commercial papers covering the purchase of the materials will also be kept available for inspection. Where grapes (other fruit) received on the bonded premises are used in producing juice to be stored for future use or for removal, the record will show the quantities of grapes used and juice produced. Where fruit or juice is used to produce concentrated juice the record will show the quantity of fruit or juice used and the quantity of concentrated juice produced. The record must also show the use or other disposition of the juice or concentrated juice produced. At the close of each month the materials account will be balanced and the totals reported on Form 702.

(72 Stat. 1381; 26 U.S.C. 5367)

PAR. 36. The undersigned center heading immediately preceding § 240.972 is amended to read "Determination of Total Solids".

PAR. 37. Section 240.975 and its heading are amended to delete "and sugar solids" from the heading and the procedure for determining sugar solids from the text. As amended, § 240.975 reads as follows:

§ 240.975 Total solids in wine.

Total solids content of wine means the degrees Brix of the dealcoholized wine, and is approximately equal to the percent of solids by weight in the dealcoholized wine. The total solids may be determined by dealcoholizing a measured volume of wine, restoring to the original volume with water, and determining the degrees Brix of this solution according to the instructions in §§ 240.972 to 240.974.

PAR. 38. The undesignated center heading immediately preceding § 240.976 is amended to read "Use of Pure Dry Sugar or Liquid Sugar to Correct Juice (Other Than Grape) to 25 Degrees Brix".

PAR. 39. Sections 240.976 and 240.978 are amended to include the use of other pure dry sugars having a dextrose equivalent of 95 percent on a dry basis. As amended, §§ 240.976 and 240.978 read as follows:

§ 240.976 Instructions respecting the use of pure dry sugar.

Section 240.978 (Table IV) shows the pounds of pure dry sugar required to raise the total solids content of 1 gallon of juice to 25 degrees Brix with commercial dextrose (1 molecule of water of crystallization), cane or beet sugar, or other pure dry sugars having a dextrose equivalent of not less than 95 percent on a dry basis. This table shall be used in determining the quantity of pure dry sugar that may be added to fruit and berry juice to correct natural deficiencies in the juice.

§ 240.978 Table IV, showing pounds of sugar required to raise 1 gallon of juice to 25 degrees Brix and the resultant gallonage.

Table IV shows the pounds of cane or beet sugar and the pounds of commercial dextrose required to raise 1 gallon of juice to 25 degrees Brix, and the resultant gallonage. Where other pure dry sugars having a dextrose equivalent of not less than 95 percent on a dry basis are used, the pounds of commercial dextrose required to raise 1 gallon of juice to 25 degrees Brix shall be used to determine the pounds of such other pure dry sugars required to raise 1 gallon of juice to 25 degrees Brix.

TABLE IV

Brix of juice	Pounds cane or beet sugar	Resultant gallonage	Pounds commercial dextrose	Resultant gallonage
0.....	2.7760	1.2069	3.3625	1.2625
25.....	0	1.0000	0	1.0000

PAR. 40. New sections, §§ 240.978a, 240.978b, 240.978c, are added immediately following § 240.978 to provide, respectively, instructions, formula, and table, with respect to the use of liquid sugar for correction of natural deficiencies in juice of fruit or berries. As added, §§ 240.978a, 240.978b, and 240.978c read as follows:

§ 240.978a Instructions respecting the use of liquid sugar.

Section 240.978c (Table IVa) shows the specific gravity and pounds per gallon for various degrees of Brix, and the

pounds of sugar per gallon and the water per gallon for various degrees ranging from 60 to 90 degrees of Brix. This table may be used with the formula prescribed in § 240.978b for determining the quantity of liquid sugar (sucrose solution) of any degrees of Brix required to correct natural deficiencies in the juice of fruit or berries. This table also may be, but it is not required to be, used with the formula prescribed in § 240.978b for determining the quantity of liquid sugar, other than sucrose solution, required to correct natural deficiencies in the juice of fruit or berries.

§ 240.978b Formula for determining the required quantity of liquid sugar to correct natural deficiencies in the juice of fruit or berries.

(a) *Formula.* The pounds of liquid sugar of any degree of Brix required to raise the degrees of Brix in 1 gallon of juice to the desired degrees of Brix shall be determined by the following formula:

$$X = \frac{W(C-A)}{(B-C)}$$

where:

A = the Brix of the juice before correction;
B = the Brix of the liquid sugar to be used;
C = the desired Brix of the juice after correction;
W = the weight per gallon of the juice before correction; and
X = the pounds of liquid sugar to be added per gallon of juice to be corrected.

(b) *Example of use of formula.* Find the quantity of liquid sugar of 60 degrees Brix required to raise the total solids content of 500 gallons of juice from 12 degrees Brix to 25 degrees Brix.

$$\begin{aligned} (1) \quad & A = 0.12 \\ & B = 0.60 \\ & C = 0.25 \\ & W = 8.72443 \text{ (weight from Table IVa)} \\ & X = \frac{8.72443(0.25 - 0.12)}{(0.60 - 0.25)} \end{aligned}$$

$$= 3.2405 \text{ lbs. liquid sugar;}$$

thus

$$(2) \quad \begin{aligned} & 3.2405 \times 500 \text{ gallons juice} \\ & = 1620.25 \text{ lbs. liquid sugar; or} \\ & \quad \quad \quad 1620.25 \end{aligned}$$

$$(3) \quad \begin{aligned} & 10.725278 \text{ (weight of liquid sugar at 60°} \\ & \quad \quad \quad \text{Brix, Table IVa)} \\ & = 151.05 \text{ gallons of liquid sugar.} \end{aligned}$$

§ 240.978c Table IVa, showing specific gravity and weight of 1 gallon of sucrose solution at 15.56° C. corresponding to degrees of Brix, and pounds of sugar per gallon and gallons of water per gallon for 60 through 90 degrees of Brix.

TABLE IVa

Degrees Brix	Specific gravity ¹	Pounds per gallon	Sugar per gallon (lb.)	Water per gallon (gal.)
0.....	1.000000	8.32823		
1.....	1.003184	8.35475		
2.....	1.007083	8.38722		
3.....	1.011007	8.41900		
4.....	1.014958	8.45280		
5.....	1.018935	8.48592		
6.....	1.022940	8.51928		
7.....	1.026974	8.55288		
8.....	1.031036	8.58670		
9.....	1.035127	8.62078		
10.....	1.039246	8.65508		
11.....	1.043395	8.68963		
12.....	1.047573	8.72443		
13.....	1.051781	8.75947		
14.....	1.056020	8.79478		
15.....	1.060290	8.83034		
16.....	1.064589	8.86614		
17.....	1.068923	8.90224		
18.....	1.073286	8.93857		
19.....	1.077680	8.97517		
20.....	1.082107	9.01804		
21.....	1.086567	9.04918		
22.....	1.091058	9.08658		
23.....	1.095582	9.12426		
24.....	1.100138	9.16220		
25.....	1.104729	9.20044		
60.....	1.287822	10.725278	6.4362	0.51513
61.....	1.293726	10.77448	6.5724	.50455
62.....	1.299670	10.82391	6.7108	.49387
63.....	1.305652	10.87370	6.8505	.48309
64.....	1.311674	10.92392	6.9913	.47220
65.....	1.317732	10.97437	7.1333	.46121
66.....	1.323829	11.02515	7.2766	.45010
67.....	1.329965	11.07624	7.4211	.43889
68.....	1.336139	11.12767	7.5668	.42756
69.....	1.342352	11.17941	7.7138	.41613
70.....	1.348605	11.23143	7.8620	.40458
71.....	1.354893	11.28386	8.0115	.39295
72.....	1.361222	11.33657	8.1623	.38123
73.....	1.367590	11.38960	8.3144	.36942
74.....	1.373994	11.44293	8.4678	.35752
75.....	1.380435	11.49658	8.6224	.34553
76.....	1.386917	11.55056	8.7784	.33356
77.....	1.393434	11.60489	8.9357	.32160
78.....	1.399990	11.65949	9.0944	.30966
79.....	1.406583	11.71437	9.2543	.29773
80.....	1.413214	11.76957	9.4157	.28582
81.....	1.419880	11.82507	9.5783	.27392
82.....	1.426585	11.88092	9.7424	.26203
83.....	1.433327	11.93707	9.9078	.25015
84.....	1.440106	11.99353	10.0746	.23828
85.....	1.446923	12.05030	10.2428	.22642
86.....	1.453774	12.10736	10.4123	.21457
87.....	1.460664	12.16476	10.5833	.20273
88.....	1.467589	12.22249	10.7557	.19090
89.....	1.474550	12.28032	10.9295	.17908
90.....	1.481547	12.33864	11.1048	.16727

¹ Specific gravity of a sucrose solution at 15.56°/15.56° C., calculated from Table 12 of Bureau of Standards Circular No. 19 with use of the factors given in Table 28 thereof.

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